California ISO

Stakeholder Comments Template

Reliability Demand Response Resource Dispatch Clarification

Submitted by	Organization	Date Submitted
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White Paper

Upon completion of this template, please submit it to initiativecomments@caiso.com.
Submissions are requested by close of business **March 11, 2019.**

The California Large Energy Consumers Association (CLECA) herby responds to the Reliability Demand Response Resource Dispatch Clarification White Paper issued on March 5, 2019. The white paper proposes to change the language in the tariff regarding the ability of the CAISO to call upon Reliability Demand Response Resources (RDRR). The current tariff language was a result of a settlement agreement among various parties, including the CAISO and CLECA, and was adopted by the California Public Utilities Commission (CPUC).[1] As part of the settlement agreement, RDRR programs would be available for use after the CAISO issues a Warning and immediately prior to the CAISO attempting to obtain assistance from neighboring balancing authorities. Per the CPUC decision adopting the settlement, this practice would allow RDRR to be dispatched before a cost was incurred to procure resources from outside the CAISO BA and support its counting for Resource Adequacy. [2]

[1] CPUC D.10-06-034.
[2] CPUC D.10-06-034 at 2-3.

In 2018, the CPUC's Administrative Law Judge Hymes issued a ruling seeking comments on whether the trigger for RDRR programs should be changed by allowing its participation in the market or its dispatch anytime within the Warning stage or, earlier, when an Alert is called. After considering various party comments, on November 2018, the CPUC issued a decision stating:[3]

> The use of Reliability Demand Response Resources can occur anytime within the California Independent System Operator Warning Stage, in the case of In-Market dispatch and Out-Of-Market or Exceptional dispatch.

Thus, the CPUC intends to provide the CAISO flexibility in utilizing RDRR. However, CLECA notes that the CPUC also affirmed the terms of the settlement agreement as stated in the findings of fact:

> (11) The Commission should not change the Settlement adopted in D.10-06-034, including the two percent reliability cap.

To implement the changes in the CPUC decision, per the white paper, the CAISO is proposing to change the language of its tariff in Section 34.7 (13) to read:

> (13) The CAISO may make Reliability Demand Response Resources eligible for Dispatch in accordance with applicable Operating Procedures either: (a) after issuance of a warning notice ~~and immediately prior to a need for the CAISO to attempt to obtain assistance from neighboring Balancing Authorities or imports;~~ (b) during stage 1, stage 2, or stage 3 of a System Emergency; or (c) for a transmission-related System Emergency.

CLECA is concerned that the proposed changes will alter the terms of the settlement agreement which maintains RDRR as a reliability resource and instead allows it to be dispatched in CAISO's market model prior to price-responsive resources,

[3] D.18-11-029 in ordering paragraph 2.c.

including price-responsive DR programs, i.e. Proxy Demand Response.[4] This concern is raised by the removal of the language of "immediately prior to a need for the CAISO to attempt to obtain assistance from neighboring Balancing Authorities". It is our understanding that currently, after the CAISO issues a Warning and immediately prior to obtaining assistance from a neighboring balancing authority, the CAISO will insert the RDRR bids into the resource stack.[5] Therefore, RDRR is not utilized in the market model until after all available price responsive resource adequacy resources within the CAISO BA have been dispatched. In an out of market dispatch, the CAISO will call upon RDDR upon issuing a Warning or a Stage System Emergency, and CLECA understands that this is necessary when immediate action is required to maintain reliability.

The aforementioned language that CAISO wants to remove would change when RDRR programs are utilized. This has been made clear in the CAISO comments in the CPUC proceeding as the CAISO stated:

> For clarity, the CAISO notes that the impact of this change will be to allow the release of RDRR into the CAISO's bid stack upon declaration of a Warning Stage event. As a result, RDRR will be available for dispatch through the CAISO's market optimization at a bid price of 95%-100% of the bid cap (currently $950-$1,000) per the settlement agreement. Thus, RDRR resources are not dispatched during a Warning Stage event unless prices reach this high bid price.[6]

If RDRR bids are inserted into the market **upon the declaration** of a Warning Stage, then this would effectively change the terms of the settlement agreement and would likely result in the dispatch of RDRR programs prior to other price-responsive resources

[4] Per the settlement agreement on page 4: "e. RDRP [or RDRR] is not "price responsive", but will be economically dispatched once triggered." See attachment A to D.18-11-029.
[5] http://www.caiso.com/Documents/ReliabilityDemandResponseResourceParticipationOverview.pdf slide 10.
[6] Comments of The California Independent System Operator Corporation on the Proposed Decision Resolving Remaining Application Issues For 2018-2022 Demand Response Portfolios and Declining to Authorize Additional Demand Response Mechanism Pilot Solicitations, November 14, 2018. Page 2.

(including other demand response and resource adequacy resources) that are bidding *at the bid cap*.

There is evidence that resources associated with the resource adequacy program are bidding at the bid cap. The CAISO's Department of Market Monitoring issued a report noting that "over 500 MW of resource adequacy import capacity was bid-in near or at the bid cap of $1,000/MWh" on July 24, 2018 and September 1, 2018, when supplies were tight and very high marginal prices occurred.[7] The report focused only on import resource adequacy from the day-ahead market, but it provides an example showing resource adequacy participants are bidding at the bid cap and it is reasonable to expect this is occurring in real-time. The CPUC's Energy Division issued a report on the Demand Response Auction Mechanism which noted that these providers bid much higher than the utilities' demand response program in the day-ahead market.[8] While these studies focused on day-ahead bid prices, it is reasonable to expect these resources to bid a similar price in real-time. Therefore, considering all resource adequacy resources, the amount of total resource adequacy resources bidding at the bid cap in real-time could be higher than 500 MW.[9] CLECA is concerned that RRDR resources will be dispatched prior to these other resources; since it is a reliability resource, these other resources should be triggered before reliability programs.

[7] CAISO Department of Market Monitoring, Import Resource Adequacy, September 10, 2018. Page 3.
[8] CPUC Energy Division, *Energy Division's Evaluation of Demand Response Auction Mechanism*, Final Report (public), January 4, 2019, at 62.
[9] The report focused on import resource adequacy bids in the day-ahead market, which currently does not have a real-time must offer requirement if they do not receive a day-ahead award. However, the CAISO is considering changing the rules for a real-time must offer requirement regardless of the day-ahead market results.

In the white paper, the CAISO does not explain how it will meet the terms of the settlement agreement to ensure these price responsive resources are dispatched prior to RDRR. CLECA is supportive of the CAISO having flexibility to use RDRR for the intent they were designed for, i.e. to maintain reliability, and this includes their historical dispatch out of market. However, they should not be dispatched in the market model when there are other price responsive resource adequacy resources that are available. The proposed tariff change as written would allow the CAISO to trigger RDRR programs in a manner that is not consistent with the settlement agreement, nor with the recent CPUC decision that affirmed the settlement agreement. Furthermore, CLECA would like to see more detailed information on how the CAISO would utilize RDRR programs during a Warning that meets the terms of the settlement agreement. This could be implemented by having a special flag for RDRR resources so that other price responsive resources bid at the same price would be dispatched first.[10]

[10] In the Energy Imbalance Market, the optimization has special flags for resources such as the do not sell to California or for special resources that are reserved for dispatch only to the native balancing authority.